

Message Text

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ACTION AID-59

INFO OCT-01 ADP-00 SSO-00 NSCE-00 EA-04 EB-05 IGA-02 INR-09

L-03 INRE-00 SS-07 CIAE-00 /090 W

----- 020269

O R 101100 Z MAR 73

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC IMMEDIATE 2963

INFO AMEMBASSY LONDON

TUEIKO/ AMEMBASSY TOKYO 2997

AMEMBASSY PARIS

AMEMBASSY CANBERRA

C O N F I D E N T I A L VIENTIANE 1770

AIDAC

E. O. 11652: GDS

SUBJECT: FEOF AGREEMENTS

FOR NOOTER AND LEVIN FROM MANN

REFERENCE: (A) STATE 44370

(B) STATE 44034

(C) VIENTIANE 1737

1. ASSUME WE STILL DESIRE TO SIGN FEOF AGREEMENTS
PRIOR INVESTITURE NEW PROVISIONAL GOVERNMENT OF
NATIONAL UNION. HENCE AGREEMENTS HAVE TO BE SIGNED
BEFORE MARCH 22 REPEAT BEFORE MARCH 22 AND NO LATER THAN
MARCH 19-20. THEREFORE, COMMENCING MONDAY MARCH 12,
WE HAVE AT MOST EIGHT CALENDER DAYS OR SIX WORKING
DAYS AT OUR DISPOSAL TO ARRIVE AT AGREED TEXT.
OBTAIN APPROVAL OF CAPITALS AND SIGN AGREEMENTS. A MOST
LIMITED AND HIGHLY COMPRESSED TIME SCHEDULE.
HOPE THIS IS RECOGNIZED BY ALL CONCERNED AND PROCEDURES
ARE NOE UNDERWAY TO OBTAIN AUTHORITY FOR AMBASSADOR
TO SIGN.

2. WITH VIENTIANE 1209, FEBRUARY 19, WE SUBMITTED TEXT
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OF CONFIDENTIAL LETTER. WITH VIENTIANE 1542, MARCH 2, WE REPORTED DONOR REPS DISCUSSION REGARDING AUSTRALIA'S PROPOSED AMENDMENT TO PARA VIII. B. 2 OF CONFIDENTIAL LETTER AND AUSTRALIA'S WITHDRAWAL OF THIS AMENDMENT. AM CONVINCED YOUR FEAR THAT ABSENCE OF REFERENCE TO NIB CEILINGS IN PARA VII B.2 WHICH WAS INCLUDED IN LAST YEAR'S TEXT MAY BE CONSTRUED AS REFLECTING OUR AND OTHER DONOR GOVERNMENTS WEAKENED INTEREST IN RLG ADHERENCE TO NIB CEILINGS IS UNWARRANTED. WE AND OTHER DONOR REPS HAVE REPEATEDLY DRAWN ATTENTION OF RLG TO IMPORTANCE OF OBSERVING THESE CEILINGS AND RLG IS FULLY AWARE OF IMPORTANCE WE ATTACH THEM. AS ALREADY REPORTED, DELETION OF REFERENCE TO NIB CEILINGS WAS MOTIVATED BY DESIRE TO AVOID ANY AND ALL DISCUSSIONS WITH RLG OF REMEDY PROVIDED FOR IN PARA VIII B.2 IF FEOF CEILINGS ARE EXCEEDED. AS YOU ARE WELL AWARE, ARRIVING AT DEFINITIVE FIGURES WHICH WOULD ESTABLISH THAT NIB CEILINGS HAVE BEEN EXCEEDED MIGHT WELL TAKE AT LEAST BETWEEN THREE TO FOUR WEEKS AFTER THE END OF APPLICABLE CALENDER PERIOD. IN LAOS AS IN OTHER COUNTRIES IT TAKES THE MINISTRY OF FINANCE FROM FOUR TO SIX WEEKS TO ARRIVE AT ACCURATE BUDGETRY FIGURES FOR PAST MONTHS. WE CONSIDER IT UNWISE REPEAT UNWISE TO TAKE THIS RISK AND STRONGLY PREFER TO DROP ANY REFERENCE TO NIB CEILINGS IN PARA VIII B.2. MOREOVER, SHOULD WE AT THIS JUNCTURE REOPEN THIS ISSUE OTHER DONOR GOVERNMENTS MIGHT WELL WONDER WHY THIS WAS NOT RAISED BY US EARLIER SINCE TEXT CONFIDENTIAL LETTERS WERE SUBMITTED AS EARLY AS FEBRUARY 19, THUS WE MIGHT WELL CREATE DOUBT WHETHER WE ARE IN FACT SERIOUS ABOUT WISHING TO SIGN AGREEMENTS PRIOR TO FORMATION NEW PROVISIONAL GOVERNMENT OF NATIONAL UNION.

3. ALTHOUGH WE FULLY AGREE THAT COMPRESSING ESTIMATED INCREASE IN MONEY SUPPLY HIGHLY DESIRABLE, TIME AVAILABLE DOES NOT PERMIT DETAILED SCRUTINY OF EXPENDITURES AT THIS TIME PARTICULARLY SINCE FY 74 BUDGET IS STILL IN PROCESS OF FORMULATION. WE AND OTHER DONOR COUNTRIES AND IMF RESREP WILL CONTINUE TO IMPRESS UPON RLG NECESSITY TO CONTRACT EXPENDITURES TO ABSOLUTE MINIMUM AND WILL MAKE APPROPRIATE REPRESENTATIONS TO MINFIN SISOUK AT ALL OPPORTUNITIES. WE ALSO SHALL
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RELY TO CONSIDERABLE EXTENT ON FORCEFULLNESS AND

PERSUASIVENESS OF IMF RESREP BAER TO PRESENT IMF'S POINT OF VIEW. BELIEVE THAT SUCH TACTICS FOLLOWS THE ADVICE AND GUIDANCE DON PALMER GAVE US BOTH HERE AND IN WASHINGTON. OUR EXPECTATION THAT FY 73 REVENUES WILL EXCEED FY 72 REVENUES BY 28 PERCENT IS BASED ON A STEADY AND CONTINUED INCREASE OF REVENUES IN FY 73 AS ALREADY REPORTED IN OUR MONTHLY BUDGET AND FISCAL AIRGRAMS. FEBRUARY 1973 DATA ARE EXPECTED END OF MARCH AND DETAILS REQUESTED PARA 3 REFTEL (A) WILL AGAIN BE SUBMITTED.

4. BASED ON CONVERSATIONS WITH RLG THE FOLLOWING DEBTS WILL HAVE ACCESS TO FEOF FUNDING:

LENDER	DATE	INT RATE	DEBT SERVICE YEARS	GRACE	PAYMENT	MATURITY	AMOUNT
FRANCE	1966	1.0	0	20	20	62	
GERMANY	1966	3.0	5	17	22	483	
	1966	2.0	7	18	25	143	
ADB	1970	1.5	10	30	40	15	
	1971	1.5	5	20	25	50	
TOTAL						753	

EXPECT TO HAVE OFFICIAL LETTER FROM RLG EARLY NEXT WEEK.

5. APPRECIATE DETAILED INFORMATION FREF (B). BELIEVE WE SHOULD MAINTAIN OUR POSITION ON FOREIGN DEBT REPAYMENT AS IT STANDS NOW AND LEAVE INITIATIVE FOR ANY CHANGES IN TEXT TO JAPANESE. IF JAPANESE INSIST ON MODIFICATIONS OF TEXT WE HAVE PROPOSED, RECOMMEND WE DROP ANY AND ALL REFERENCES TO DAC FORMULA AND CRITERIA IN ORDER TO AVOID COMPLEXITIES OF ARRIVING AT CALCULATION DAC FORMULA AND SIMPLY STATE LOANS WITH THREE YEARS GRACE PERIOD, MAXIMUM 3 PERCENT INTEREST AND 25- YEAR REPAYMENT ARE ELIGIBLE FOR ACCESS TO FEOF IN 1973. SINCE DEBTS LISTED ABOVE ALL FALL WITHIN THESE CRITERIA, DISCUSSION HOW DAC FORMULA BE APPLIED WOULD BE FINESSED. MOREOVER, SINCE FEOF AGREEMENTS ARE VALID AND OPERATIVE FOR ONLY ONE YEAR REFERENCE TO DAC CRITERIA ALTHOUGH DESIRABLE COULD BE EITHER REINTRODUCED IN CY 73 AGREEMENTS IF REQUIRED LATER IN CONFIDENTIAL

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1973 OR BE INCLUDED WHEN AGREEMENTS HAVE TO BE RENEGOTIATED IN CY 74.

6. AGAIN REITERATE TIME CONSTRAINTS WE ARE WORKING UNDER. AS ALREADY REPORTED WE ARE MEETING WITH DONOR COUNTRIES

1600 VIENTIANE TIME MARCH 12. WASHINGTON COMMENTS AND
INSTRUCTIONS HAVE TO REACH US NOT LATER THAN NOON MARCH 12
VIENTIANE TIME TO PERMIT US TO CLEARLY EXPRESS U. S.
POSITION.
GODLEY

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*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

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